

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

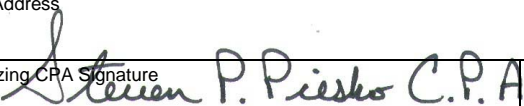
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 		Printed Name Steven P. Piesko C.P.A.		License Number

GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY

**REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)**

YEAR ENDED JUNE 30, 2007

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Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Grand Ledge Area Emergency Services Authority
State of Michigan

August 28, 2007

We have audited the accompanying financial statements of the governmental activities and the major fund of the Grand Ledge Area Emergency Services Authority, Component unit of the City of Grand Ledge, as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Grand Ledge Area Emergency Services Authority management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Grand Ledge Area Emergency Services Authority, as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages iv through xi and page 16, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Maner, Costerisan & Ellis, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Grand Ledge Area Emergency Services Authority (the Authority), we offer readers of the Grand Ledge Area Emergency Services Authority's financial statements this narrative overview and analysis of the financial activities of the Grand Ledge Area Emergency Services Authority for the fiscal year ended June 30, 2007.

FINANCIAL HIGHLIGHTS

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$495,229 (net assets). Of this amount, \$270,078 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$98,148.
- As of the close of the current fiscal year, the Authority's governmental fund reported ending fund balance of \$344,545, an increase of \$99,466.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$344,545, or 29 percent of total general fund expenditures.
- The Authority's total debt decreased \$78,884.
- The Authority now levies property taxes as its primary source of revenue.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statement is comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the Authority is categorized as a governmental fund.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide information to facilitate this comparison between *governmental funds* and *governmental activities*.

The Authority maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund which is considered a major fund.

The Authority adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund in the required supplementary information.

The basic governmental fund financial statements can be found on pages 1 and 2 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 3 through 14 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Authority's general fund budget on page 16.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the Authority, assets exceeded liabilities by \$495,299 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net assets (52 percent) reflects its investment in capital assets (e.g., furniture and equipment, apparatus, and technology); less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

**Grand Ledge Area Emergency Service Authority
Net Assets**

	Governmental activities	
	2007	2006
Current and other assets	\$ 857,713	\$ 728,476
Capital assets	959,051	1,053,021
Total assets	1,816,764	1,781,497
Long-term liabilities outstanding	689,855	771,381
Other liabilities	631,680	613,035
Total liabilities	1,321,535	1,384,416
Net assets:		
Invested in capital assets, net of related debt	225,151	235,954
Unrestricted	270,078	161,127
Total net assets	\$ 495,229	\$ 397,081

The unrestricted net assets (\$270,078) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Authority is able to report positive balances in both categories of net assets for its governmental activities.

The government's net assets increased by \$98,148 during the current fiscal year. The majority of this increase represents the degree in which increases in ongoing revenues have outstripped similar increases in ongoing expenses.

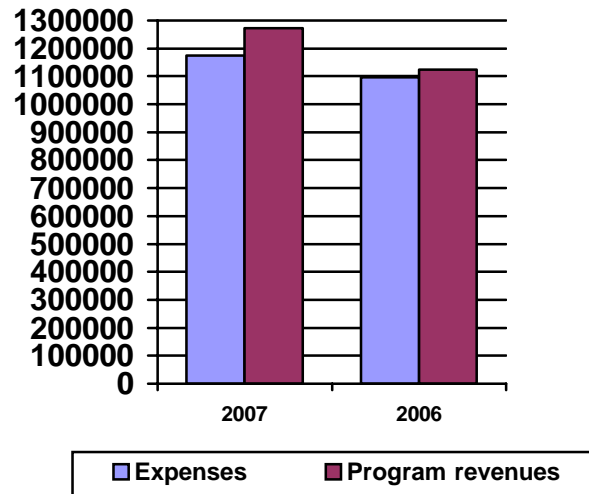
Governmental activities. Governmental activities increased the Authority's net assets by \$98,148, thereby the governmental activities accounted for 100% of the total decline in the net assets of the Authority. Key elements of this increase are as follows:

**Grand Ledge Area Emergency Services Authority's
Changes in Net Assets**

	Government-wide activities	
	2007	2006
Revenues:		
Program revenues:		
Property taxes levied	\$ 906,381	\$ 440,569
Fire fund		405,787
Incident billings	14,750	17,000
Ambulance billings	319,132	246,978
General revenues:		
Investment earnings	22,650	11,226
Rental income	3,437	
Other	6,131	2,220
Total revenues	<u>1,272,481</u>	<u>1,123,780</u>
Expenses:		
Public safety	1,147,191	1,056,928
Debt service	<u>27,142</u>	<u>51,379</u>
Total expenses	<u>1,174,333</u>	<u>1,108,307</u>
Increase in net assets	98,148	15,473
Net assets, beginning of year	<u>397,081</u>	<u>381,608</u>
Net assets, end of year	<u><u>\$ 495,229</u></u>	<u><u>\$ 397,081</u></u>

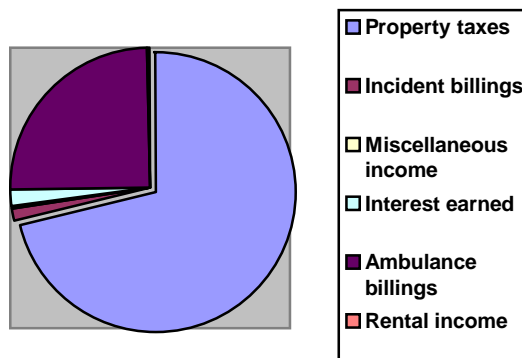
- Program revenues increased during the year. Most of this increase is due to the ambulance billings operating for a full year as well as levying an operating millage for the first whole year.
- Overall government activities revenue is up \$148,701 from prior year.
- Expenses for governmental activities went from \$1,108,307 to \$1,174,333, an increase of \$66,026. Majority of the increase is due to an increase in salaries and benefits for the year ended June 30, 2007.

Expenses and Program Revenues – Governmental Activities

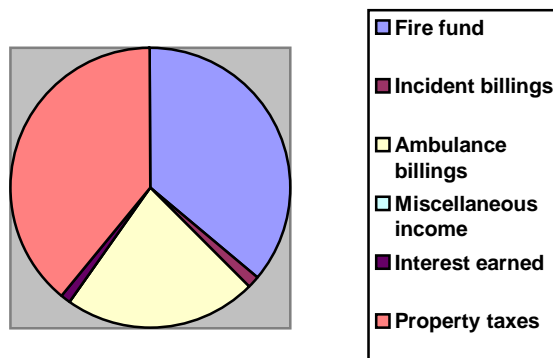


Revenues by Source – Governmental Activities

2007 Total Revenues = \$1,272,481



2006 Total Revenues = \$1,123,780



Financial Analysis of the Government's Funds

As noted earlier, the Association uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental fund. The focus of the Authority's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority's governmental fund reported combined ending fund balance of \$344,545, an increase of \$99,466. Approximately eighty percent of this total amount (\$251,135) constitutes *unreserved undesignated fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is designated to indicate that it is not available for new spending because it has already been committed 1) to prepaid insurance (\$1,991) or 2) for a variety of other designated purposes (\$59,754).

The general fund is the chief and only operating fund of the Authority. At the end of the current fiscal year, unreserved fund balance of the general fund was \$251,135, while total fund balance reached \$344,545. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 23 percent of total general fund expenditures, while total fund balance represents 29 percent of that same amount.

The fund balance of the Authority's general fund increased by \$99,466 during fiscal year 2007. Key factors in this increase are as follows:

The Authority board and the Chief of the department are constantly aware that the citizens of the jurisdiction both expect and demand that budgeted funds are used in the best interest of the community. Although the department may spend additional funds that were not initially budgeted in one line item due to unexpected expenses, amending other line item amounts and/or doing without keeps the budget balanced. Being fiscally frugal with the entire debt exemplifies the Authority's commitment to operating at budgeted levels, and in addition, the department constantly strives to save some funds in a savings account for unexpected emergencies as an apparatus depreciation fund. The department has been fortunate in also acquiring grants from the federal government, supplementing our equipment needs, thereby reducing our need to expend the entire new equipment line item budget for equipment included in the five year or twenty year plans.

As previously stated, the Authority also reduces its annual debt by making timely semi-annual payments for the pumper tanker purchased in 2001 with special assessments in both the City and Township. This debt is in the fifth year of a ten year total indebtedness. These special assessments were rescinded at the time of the millage request in 2004 as the payments were included as part of the overall budget and the amount of mills calculated was set based on the operations and capital budget expenditures at that time. At the incorporation of the Authority, we accepted both the assets and liabilities of the former regional fire board, which included a quarterly equipment and apparatus payment to Eagle and Watertown townships for their percentage of department assets at the time the district was dissolved. The Authority's debt to the two departing townships was satisfied in December 2005, thereby freeing up an additional \$22,000 annually, which has since been reallocated to making annual land payments on the property bought in early 2006. In 2005 two fully equipped ambulances were leased for a seven year period, and the lease payments are made through the capital line item with revenues generated by the ambulance service. Fiscal responsibility, cost benefit analysis and seeking outside revenue sources are, and will always be, primary considerations when expending taxpayer budgeted funds.

General Fund Budgetary Highlights

- There were no significant differences between the original budget and the final amended budget.

Capital Asset and Debt Administration

Capital assets. The Authority's investment in capital assets for its governmental activities as of June 30, 2007, amounts to \$959,051 (net of accumulated depreciation). This investment in capital assets includes furniture and equipment, apparatus, land, and technology. The total decrease in the Authority's investment in capital assets for the current fiscal year was 8 percent.

Grand Ledge Area Emergency Services Authority's Capital Assets (net of depreciation)

	Governmental activities	
	2007	2006
Land	\$ 351,366	\$ 351,366
Furniture and equipment	52,044	73,997
Apparatus	540,886	602,898
Technology	14,755	24,760
	<u>\$ 959,051</u>	<u>\$ 1,053,021</u>

Additional information on the Authority's capital assets can be found in Note 4 of this report.

Long-term debt. At the end of the current fiscal year, the Authority had total long-term debt outstanding of \$791,654. This represents compensated absences earned but not used as of year end, as well as installment notes issued to purchase apparatus equipment and land.

Grand Ledge Area Emergency Services Authority's Outstanding Debt

	Governmental activities	
	2007	2006
Installment notes	\$ 568,063	\$ 623,375
Compensated absences	57,754	53,431
Capital lease	165,837	193,692
	<u>\$ 791,654</u>	<u>\$ 870,498</u>

The Authority's total debt decreased by \$78,844 (10 percent) during the current fiscal year.

Additional information on the Authority's long-term debt can be found in Note 5 and Note 6 of this report.

Economic Factors and Next Year's Budgets and Rates

Grand Ledge Area Emergency Services Authority's goal is to maintain and enhance the services that are provided to the public utilizing the most efficient and effective methods. The Authority has a conservative and financially prudent budget for the fiscal year 2007 that will promote several of the Authority's activities and programs.

It is anticipated that the Authority board will be working over the next few years to promote the Authority and the need for a new facility. It is the wish of the Authority board to construct and operate a new Authority facility.

In November 2004, the Authority successfully passed a millage of 3 mills for three years.

Requests for Information

This financial report is designed to provide a general overview of the Grand Ledge Area Emergency Services Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief's Office, 500 N. Clinton, Grand Ledge, Michigan 48837.

BASIC FINANCIAL STATEMENTS

GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
JUNE 30, 2007

	Balance sheet general fund modified accrual basis	Adjustments	Statement of net assets
CURRENT ASSETS:			
Cash	\$ 775,351	\$	\$ 775,351
Accounts receivable (less allowance for doubtful accounts of \$3,000)	80,371		80,371
Prepaid expenses	1,991		1,991
TOTAL CURRENT ASSETS	857,713		857,713
CAPITAL ASSETS , net of accumulated depreciation		959,051	(1) 959,051
TOTAL ASSETS	\$ 857,713	959,051	1,816,764
CURRENT LIABILITIES:			
Accounts payable	\$ 22,328		22,328
Accrued salaries and related items	24,723		24,723
Accrued interest on long-term debt		16,713	(4) 16,713
Deferred revenue	466,117		466,117
Current portion of capital lease		29,491	(3) 29,491
Current portion of long-term debt		57,983	(3) 57,983
Current portion of compensated absences		14,325	(2) 14,325
TOTAL CURRENT LIABILITIES	513,168	118,512	631,680
NONCURRENT LIABILITIES:			
Capital lease, less current portion		136,346	(3) 136,346
Long-term debt, less current portion		510,080	(3) 510,080
Compensated absences, less current portion		43,429	(2) 43,429
TOTAL NONCURRENT LIABILITIES		689,855	689,855
TOTAL LIABILITIES	513,168	808,367	1,321,535
FUND BALANCE/NET ASSETS:			
Invested in capital assets, net of related debt		225,151	225,151
Reserved for prepaid expenses	1,991	(1,991)	
Designated for compensated absences	57,754	(57,754)	
Designated for subsequent year's expenditures	33,665	(33,665)	
Unrestricted and unreserved	251,135	18,943	270,078
TOTAL FUND BALANCE/NET ASSETS	344,545	\$ 150,684	\$ 495,229
TOTAL LIABILITIES AND FUND BALANCE	\$ 857,713		

(1) Capital assets used in governmental activities are not financial resources and are not reported under the modified accrual basis of accounting.

(2) Compensated absences are not due and payable in the current period and are not reported under the modified accrual basis of accounting.

(3) Long-term debt obligations and capital leases are not due and payable in the current period and are not reported under the modified accrual basis of accounting.

(4) Interest expense is recorded when paid and not when it is incurred and thus is not reported under the modified accrual basis of accounting.

	Statement of revenues, expenditures and changes in fund balance general fund modified accrual basis	Adjustments	Statement of activities
REVENUES:			
Property taxes levied	\$ 906,381	\$	\$ 906,381
Incident billings	14,750		14,750
Ambulance billings	319,132		319,132
Rental income	3,437		3,437
Miscellaneous income	6,131		6,131
Interest earned	22,650		22,650
Total revenues	1,272,481		1,272,481
EXPENDITURES:			
Current:			
Public safety:			
Salaries and employee benefits	824,149	4,323 ⁽¹⁾	828,472
Office supplies	2,728		2,728
Operating supplies and expenditures	40,086		40,086
Professional services	47,667		47,667
Training and departmental programs	24,667		24,667
Insurance	21,127		21,127
Rent and utilities	44,902		44,902
Building maintenance	6,957		6,957
EXPENDITURES (Concluded):			
Current (Concluded):			
Public safety (Concluded):			
Miscellaneous	\$ 3,928	\$	\$ 3,928
Depreciation		91,613 ⁽²⁾	91,613
Loss on disposal of asset		3,667 ⁽²⁾	3,667
Capital outlay	32,687	(1,310) ⁽²⁾	31,377
Debt service:			
Principal retirement	83,167	(83,167) ⁽⁴⁾	
Interest payments	40,950	(13,808) ⁽³⁾	27,142
Total expenditures	1,173,015	1,318	1,174,333
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	99,466	(1,318)	98,148
FUND BALANCE/NET ASSETS, beginning of year	245,079	152,002	397,081
FUND BALANCE/NET ASSETS, end of year	\$ 344,545	\$ 150,684	\$ 495,229

See notes to financial statements. 2

GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Grand Ledge Area Emergency Services Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

A. Reporting Entity

The Grand Ledge Area Emergency Services Authority (the "Authority") was incorporated under the provisions of Act 57 of the Michigan Public Acts of 1988 effective October 1, 2001. The Authority provides fire protection and rescue services within the boundaries of the incorporating municipalities. The incorporating municipalities of the Authority are the City of Grand Ledge, and the Township of Oneida, located in Eaton County, Michigan. A five-member board serves the Authority, three members appointed by the City of Grand Ledge and two by the Township of Oneida. The Authority relies on funding for operations from property taxes levied in the current year. The Authority is a component unit of the City of Grand Ledge and is reported as such in the City of Grand Ledge Annual Financial Report.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the primary government unit.

The Authority utilized the financial statement format recommended by the State of Michigan for special purpose entities engaged only in governmental activities.

The Authority maintains only one fund, the general fund, which is accounted for as a governmental fund.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements (the statement of net assets and statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

Modified Accrual Method

Governmental fund financial statements (the balance sheet and statement of revenue, expenditures and changes in fund balances) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government. There are no resources required to be accounted for in another fund.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

The Authority reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Authority intends to hold the investment until maturity.

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

1. Cash and Investments (Concluded)

State statutes authorized the Authority to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Authority is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

The Authority's retirement system investments are held in trust by the investment fiduciary. Michigan Compiled Laws, Section 38.1132, authorizes the Authority retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contract obligations of a specified nature, and real or personal property.

2. Property Taxes

Property taxes levied by the Authority are collected by various municipalities and periodically remitted to the Authority. The taxes are levied and become a lien as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting agency. Property taxes levied are for the calendar year. Property taxes collected for July 1, 2007 - December 31, 2007 are recorded as deferred revenue.

For the year ended June 30, 2007, the Authority levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund	<u><u>2.9670</u></u>

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

3. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Based on management's estimates an allowance for doubtful accounts has been estimated at \$3,000 for 2007. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense and a credit to accounts receivable.

4. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The Authority's capitalization policy is to capitalize individual amounts exceeding \$1,000.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Furniture and equipment	5 - 7
Apparatus	15
Technology	5

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Assets, Liabilities and Net Assets or Equity (Concluded)

6. Compensated Absences

It is the Authority's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which will be paid to employees upon separation from the Authority. All vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Fund Equity

In the fund financial statements, the governmental fund may report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

8. Use of Estimate

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - LEGAL COMPLIANCE - BUDGETS

The Budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund. All annual appropriations lapse at fiscal year-end.

Encumbrances represent commitments related to unperformed contracts for goods or services. The Authority does not utilize encumbrance accounting.

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or prior to February 15th of each year, a proposed budget is submitted to the City of Grand Ledge Council and Oneida Township Board, for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them.

GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - LEGAL COMPLIANCE - BUDGETS (Concluded)

2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to February 15th, the budget is legally enacted through passage of a resolution by the Authority Board before submission to the governmental entities.
4. Any revisions of the budget must be approved by the Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget for the general fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted, or as amended by the Authority Board during the fiscal year.
7. Expenditures may not exceed budget at the function level.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2007, the Authority had no investments as defined by generally accepted accounting principles.

Interest rate risk. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The Authority has no investment policy that would further limit its investment choices. As of June 30, 2007, the Authority had no investments.

Concentration of credit risk. The Authority places no limit on the amount the Authority may invest in any one issuer. At June 30, 2007 the Authority had no investments.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of June 30, 2007, \$691,535 of the Authority's bank balance of \$791,535 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount is \$775,351.

GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority had no investments at June 30, 2007.

Foreign currency risk. The Authority is not authorized to invest in investments which have this type of risk.

NOTE 4 - CAPITAL ASSETS

The capital assets for the year ended June 30, 2007 were as follows:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Primary government:				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 351,366	\$	\$	\$ 351,366
Capital assets being depreciated:				
Furniture and equipment	222,014	1,310		223,324
Apparatus	872,683		10,000	862,683
Technology	62,956			62,956
Total capital assets, being depreciated	1,157,653	1,310	10,000	1,148,963
Less accumulated depreciation for:				
Furniture and equipment	148,017	23,264		171,281
Apparatus	269,785	58,345	6,333	334,463
Technology	38,196	10,004		48,200
Total accumulated depreciation	455,998	91,613	6,333	541,278
Total capital assets, being depreciated, net	701,655	(90,303)	(3,667)	607,685
Total capital assets	\$ 1,053,021	\$ (90,303)	\$ (3,667)	\$ 959,051

Depreciation expense of \$91,613 was all charged to the public safety function.

GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT

Long-term debt as of June 30, 2007 is as follows:

Loan for the purchase of pumper/tanker fire apparatus, due in annual installments of \$57,080 through November 7, 2011 with an interest rate of 4.76%	\$ 228,783
Installment note for the purchase of land due in yearly installments of \$27,800 through January 2026 with an interest rate of 4.88%	<u>339,280</u>
	568,063
Obligations under contract for compensated absences	<u>57,754</u>
Total general long-term debt	<u><u>\$ 625,817</u></u>

The annual requirements to amortize long-term debt outstanding as of June 30, 2007, including interest of \$216,995 are as follows:

Year ending June 30,	Principal	Interest	Total
<u> </u>	<u> </u>	<u> </u>	<u> </u>
2008	\$ 57,983	\$ 26,897	\$ 84,880
2009	60,783	24,097	84,880
2010	63,717	21,163	84,880
2011	66,796	18,085	84,881
2012	41,481	14,859	56,340
2013-2017	78,648	60,352	139,000
2018-2022	99,804	39,195	138,999
2023-2026	<u>98,851</u>	<u>12,347</u>	<u>111,198</u>
	568,063	216,995	785,058
Compensated absences	<u>57,754</u>	<u> </u>	<u>57,754</u>
	<u><u>\$ 625,817</u></u>	<u><u>\$ 216,995</u></u>	<u><u>\$ 842,812</u></u>

GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT (Concluded)

The following is a summary of long-term obligations for the Authority for the year ended June 30, 2007:

	Compensated absences	Installment notes	Total
Balance July 1, 2006	\$ 53,431	\$ 623,375	\$ 676,806
Additions	4,323		4,323
Deletions		55,312	55,312
Balance June 30, 2007	57,754	568,063	625,817
Less current portion	14,325	57,983	72,308
Total due after one year	\$ 43,429	\$ 510,080	\$ 553,509

NOTE 6 - LEASES

Operating Lease

The Authority leases their building from the City of Grand Ledge under a noncancellable lease. Total cost for such lease was \$23,250 for the year ended June 30, 2007. The future minimum lease payments for the lease are as follows:

Year ending June 30,	
2008	\$ 25,000
2009	6,250
	<u>\$ 31,250</u>

Capital Lease

The Authority has entered into a lease agreement in October 2004 as a lessee for financing the acquisition of two new ambulances. This lease agreement qualifies as a capital lease for accounting purposes and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Capital lease expense for the year ended June 30, 2007 was \$27,854.

GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CAPITAL LEASE (Concluded)

Capital Lease (Concluded)

The future minimum lease payments for the capital lease are as follows:

Year ending June 30,	Principal	Interest	Total
2008	\$ 29,491	\$ 9,746	\$ 39,237
2009	31,225	8,013	39,238
2010	33,060	6,178	39,238
2011	35,001	4,235	39,236
2012	37,060	2,178	39,238
	\$ 165,837	\$ 30,350	\$ 196,187

NOTE 7 - PENSION PLAN

Defined Benefit Plan

Plan Description

The Authority participates in the Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS). The MERS was organized pursuant to Act No. 220 of the Public Acts of 1996, as amended, and the Constitution of the State of Michigan. The Authority has no administrative responsibility for the plan. The Municipal Retirement System issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing Municipal Employee Retirement Systems of Michigan, Lansing, Michigan 48917 or calling (517) 703-9030.

GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION PLAN (Concluded)

Defined Benefit Plan (Concluded)

Funding Policy

The plan provides for vesting of benefits after 10 years of credited service. Participants may elect normal retirement at age 60 with 10 or more years of service. The plan also provides for early retirement at age 55 with 15 or more years of service, and at age 50 with 25 or more years of service. Election of early retirement is subject to reduction of benefits as outlined below.

Participants of the firefighters union are entitled to a retirement benefit equal to the credited service at the time of membership termination multiplied by 1% to 2.5% of the member's final average compensation (F.A.C.) up to a maximum of 80% of F.A.C. subject to certain limitations. The retirement allowance is reduced 1/2% of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available. The plan provides that the employer/employees contribute amounts necessary to fund the actuarially determined benefits. The Authority makes employer contributions in accordance with funding requirements determined by MERS' actuary, until such time as the contributions exceed 9% of covered payroll whereon the Authority is directed to make withholdings from salaries and wages of eligible employees and forward these to MERS. The MERS' actuary uses the entry age normal actuarial cost method.

The Authority's pension cost for the fiscal year ending June 30, 2007 was \$64,275. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry age normal actuarial cost method.

The significant actuarial assumptions to be used to compute the actuarial accrued liabilities are as follows: (1) the entry age normal actuarial cost method of valuation was used in determining age and service benefit liabilities and normal cost; (2) an 8% rate of return on investment of present and future assets was used based on estimated long-term yield considering (a) the nature and mix of current and expected investments; and (b) the basis used to value those assets; (3) projected salary increases are based on 4.5% raises for merit, seniority, and inflation rate allowances. Benefits will not increase after retirement except that some participants will receive cost of living allowances. Unfunded accrued liabilities are amortized over a 34 year period reduced by one year until it reaches 30.

<u>Fiscal year ending</u>	<u>Annual pension cost</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
12/31/2004	\$ 33,475	100%	\$ 108,204
12/31/2005	34,854	100%	134,066
12/31/2006	64,275	100%	133,458

GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance to cover any losses that may result from the above described activities. No settlements have incurred in excess of coverage in 2007 or any of the prior three years.

NOTE 9 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETED FUNDS

During the year, the Authority incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

	<u>Budget appropriation</u>	<u>Actual expenditures</u>	<u>Variance</u>
Payroll taxes	\$ 45,145	\$ 45,255	\$ (110)
Professional services	44,299	47,667	(3,368)
Rental house expense	1,909	2,362	(453)
Capital outlay	<u>16,373</u>	<u>32,687</u>	<u>(16,314)</u>
	<u>\$ 107,726</u>	<u>\$ 127,971</u>	<u>\$ (20,245)</u>

REQUIRED SUPPLEMENTARY INFORMATION

**GRAND LEDGE AREA EMERGENCY SERVICES AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2007**

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
REVENUES:				
Local sources:				
Property taxes levied	\$ 878,918	\$ 906,686	\$ 906,381	\$ (305)
Incident billings	52,300	52,300	14,750	(37,550)
Ambulance billings	250,000	250,000	319,132	69,132
Rental income	6,000	6,000	3,437	(2,563)
Miscellaneous income			6,131	6,131
Interest earned	12,401	12,401	22,650	10,249
Total revenues	1,199,619	1,227,387	1,272,481	45,094
EXPENDITURES:				
Current:				
Salaries and employee benefits:				
Salaries	572,685	576,078	571,372	4,706
Fringe benefits	168,294	152,111	143,247	8,864
Retirement	56,760	65,540	64,275	1,265
Payroll taxes	43,724	45,145	45,255	(110)
Office supplies	4,250	3,225	2,728	497
Operating supplies and expenditures:				
Operating supplies	18,000	23,149	23,014	135
Gas and oil	7,500	10,007	9,647	360
Uniforms	5,900	3,738	3,666	72
Maintenance supplies	2,700	1,412	988	424
Trash removal	780	780	677	103
Laundry and dry cleaning	1,950	2,430	2,094	336
Professional services	57,260	44,299	47,667	(3,368)
EXPENDITURES (Concluded):				
Current (Concluded):				
Training and departmental programs:				
Inner-departmental programs	\$ 23,625	\$ 25,116	\$ 20,261	\$ 4,855
Training	12,600	5,801	4,406	1,395
Insurance	16,500	21,127	21,127	
Rent and utilities:				
Telephone	5,450	4,353	4,064	289
Rent	15,000	25,333	23,250	2,083
Utilities	11,300	16,933	16,735	198
Sewer and water storm sewer	1,500	853	853	
Building maintenance	5,180	7,178	6,957	221
Miscellaneous:				
Human resource management	1,600	1,600	1,307	293
Rental house expense		1,909	2,362	(453)
Miscellaneous expense	10,000	10,008	259	9,749
Total current	1,042,558	1,048,125	1,016,211	31,914
Capital outlay	21,940	16,373	32,687	(16,314)
Debt service:				
Principal retirement	83,167	83,167	83,167	
Interest payments	45,171	45,171	40,950	4,221
Total debt service	128,338	128,338	124,117	4,221
TOTAL EXPENDITURES	1,192,836	1,192,836	1,173,015	19,821
EXCESS OF REVENUES OVER EXPENDITURES	\$ 6,783	\$ 34,551	99,466	\$ 64,915
FUND BALANCE:				
Beginning of year			245,079	
End of year			\$ 344,545	



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Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

August 28, 2007

To the Board of Trustees
Grand Ledge Area Emergency Services Authority
Grand Ledge, Michigan

In planning and performing our audit of the financial statements of Grand Ledge Area Emergency Services Authority (the Authority) as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

Journal Entries

During the course of our audit, one journal entry was made to the Authority's financial statements which had a significant effect on the Authority's financial reporting process. The Authority should continue to work on the accuracy of reconciliations for all significant accounts (i.e., accrued wages and benefits, accounts payable, etc), paying close attention to proper cut-off.

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated August 28, 2007 on the financial statements of Grand Ledge Area Emergency Services Authority. Our comments are summarized as follows.

Repeat Comments

Budget Compliance

We observed that actual expenditures for certain expenditure categories exceeded the budgeted amount, in some functional categories for the year. The is not in compliance with the Uniform Budgeting and Accounting Act, 1968 PA 2 as amended (MCL 141.421 et. Seq.) The Authority should monitor the budget variances and amend the budget when necessary to comply with the Budgeting Act. Although this has improved over prior years, there are still some expenditure categories that exceeded the budgeted amounts. We recommend that this process continue to be monitored and improved.

Establish a Fixed Asset Capitalization Policy

We noted that the Authority does not have a documented policy for capitalization of fixed assets. Management has determined a verbal policy whereby all property purchases over \$1,000 and having a useful life of one year or more are capitalized, however there is no documentation of this policy.

We recommend that the Authority document this capitalization policy to ensure that the policy is consistently followed.

Current Year Comments

Credit Card Process

Certain full time employees of the Authority are assigned credit cards for business use. A policy has been developed which indicates that support is required for all credit card charges. However, we noted that many credit card charges were paid by the Authority which did not include any support for the charge.

We recommend that the policy be followed and that payments for credit card charges not be paid until proper support is provided. This will allow the Authority to ensure charges are for legitimate business expenses and not for personal expenses of the employees.

To the Board of Trustees
Grand Ledge Area Emergency Services Authority
Grand Ledge, Michigan

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August 28, 2007

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various personnel and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendation.

This report is intended solely for the information and use of Grand Ledge Area Emergency Services Authority, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Mamie Costenison & Ellis, P.C.



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August 28, 2007

To the Board of Trustees
Grand Ledge Area Emergency Services Authority
500 N Clinton
Grand Ledge, Michigan 48837

We have audited the financial statements of Grand Ledge Area Emergency Services Authority for the year ended June 30, 2007, and have issued our report thereon dated August 28, 2007. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Grand Ledge Area Emergency Services Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Grand Ledge Area Emergency Services Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by Grand Ledge Area Emergency Services Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Management's estimate of the liability of the payout of employee compensated absences upon their retirement is based on expected payment. We evaluated the key factors and assumptions used to develop the functional allocation of expenses in determining that it is reasonable in relation to the financial statements taken as a whole.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Grand Ledge Area Emergency Services Authority's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, one of the adjustments we proposed, whether recorded or unrecorded by the Grand Ledge Area Emergency Services Authority either individually or in the aggregate, indicates a matter that could have a significant effect on the Authority's financial reporting process.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Board of Trustees
Grand Ledge Area Emergency Services Authority
Grand Ledge, Michigan

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August 28, 2007

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Grand Ledge Area Emergency Services Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the authority, Board of Directors and management of Grand Ledge Area Emergency Services Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mayer, Costenizer & Ellis, P.C.